

ABG[®]



March 2017



Forms P11D - All Change!

www.abgggroup.co.uk

Telephone 020 7330 0000 30 City Road, London, EC1Y 2AB



Forms P11D - All Change!

Background

The form P11D has been around for over 60 years and has become part of the normal end of tax year compliance process. Although it is not a form which many relish gathering the information for and completing, it is nevertheless a fairly familiar form. P11D preparation can however be time consuming and large penalties of up to £3,000 can arise for incomplete or incorrect forms. HMRC have brought in statutory changes, which could mean the end of P11D reporting for some employers.

Changes

From 6 April 2016;

- Voluntary payrolling of benefits in kind (BIK)
You need to register before the beginning of the tax year and HMRC will be able to collect income tax on most BIK through the payroll. Advantages include no reporting of BIK on Forms P11D, correct benefits taxed through payroll in real time resulting in fewer tax coding notices and fewer under/overpayments of tax. Note P11D(b) returns will still have to be made and must include the total values of all payrolled and non-payrolled BIK. Also cannot currently payroll; accommodation, beneficial loans, vouchers & credit cards.
- Expenses exemption & dispensation notices
Provided the employer does no more than reimburse allowable expenses to employees, they no longer need to apply for a dispensation or report the expenses on a form P11D. Note this exemption does not apply to expenses or BIK provided under a relevant salary sacrifice scheme. Also if you have previously agreed a dispensation with HMRC, it will cease to apply and will be within the new exemption. HMRC approved benchmark scale rates (e.g. advisory fuel rates subsistence rates) will continue to be available, together with bespoke rates, which can be used for up to 5 years.
- Trivial benefits
BIK's whose cost to the employer is not more than £50 including VAT, will be exempt from income tax and national insurance. There is no restriction on the number of trivial BIK's provided to an employee but care should be taken that it is not too regular and meets the following criteria;
 - cannot be cash or a cash voucher
 - cannot be provided as part of a salary sacrifice arrangement or any other contractual obligation
 - cannot be provided in recognition of duties performed in the course of their employment

Also note, where the employer is a close company, there is an annual cap of £300 for trivial BIK's provided to directors or employees who are part of directors family.

Examples of trivial benefits include Christmas hampers, tickets, flowers for an anniversary or birthday etc.

Action Required

The above changes place the onus on the employer to apply the correct treatment and maintain adequate records to justify the payment of expenses tax free. Therefore we recommend;

- Review expense payment procedures
- Review record keeping for expenses and BIK's
- Where beneficial, apply to HMRC for scale rates for expenses to apply
- Review whom in the organisation will be responsible for expenses/BIK's and communication with payroll providers
- Decide whether to "opt in" to payroll expenses and BIK's
- Communicate with employees in relation to any change to tax codes

Any move to simplify and lessen the administrative burden of the P11D process should be viewed as positive, but you should be aware of the pitfalls.

Please contact us for further information.

ABG[®]



ABG Arram[®]
Berlyn
Gardner

ABG[®] Corporate
Finance
LLP

ABG[®] Outsourced
Finance &
Accounting

Accounts | Auditing/Specialist Audits | Taxation
and Tax Planning | Estate Planning | Benchmarking |
IT Consultancy | Outsourced Accounting |
Banking Advice | Company Secretarial Services |
Management Consultancy

Mergers and Acquisitions | Due Diligence
Investigations | Business Disposals | Business
Plans | Cash Management including Preparation
of Budgeted and Forecast Information | Raising
Finance | Corporate Restructuring

Bookkeeping | Preparation of VAT Returns and
Payrolls | Preparation of Management Accounts |
Assistance in the Preparation of Cashflows,
Forecasts and Budgets | Financial Reporting |
Auto enrolment

Arram Berlyn Gardner LLP is registered to carry out audit work in the UK and Ireland by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at www.auditregister.org.uk under reference number C006321677. Arram Berlyn Gardner LLP is not authorised under the Financial Services and Markets Act 2000 but we are able in certain circumstances to offer a limited range of investment services to clients because we are members of the Institute of Chartered Accountants in England and Wales. We can provide these investment services if they are an incidental part of the professional services we have been engaged to provide. Arram Berlyn Gardner LLP is a member of Euraudit with worldwide representation.

Arram Berlyn Gardner (AH) Limited is registered in England with the company number 9178155. ABG and Arram Berlyn Gardner are registered trademarks of Arram Berlyn Gardner LLP and trading names of Arram Berlyn Gardner LLP and Arram Berlyn Gardner (AH) Limited and both are regulated by the Institute of Chartered Accountants in England and Wales for a range of investment business activities. ABG Corporate Finance LLP is authorised and regulated by the Financial Conduct Authority (FCA).

Important: This newsletter has been written for the general interest of our clients and contacts and is correct at the time of going to print. No responsibility for loss occasioned to any person acting or refraining from acting as a result of material in this publication can be accepted.

www.abgggroup.co.uk

Telephone 020 7330 0000 30 City Road, London, EC1Y 2AB

